

AGENDA: March 18, 2003

4.1

CATEGORY: Public Hearing

DEPT.: Community Development

TITLE: First Public Hearing Regarding the City's
Fiscal Year 2003-04 CDBG/HOME
Programs and General Fund Support of
Nonprofit Agencies

RECOMMENDATION

1. Hold the first of two public hearings regarding the City's Fiscal Year 2003-04 Community Development Block Grant (CDBG) Program, HOME Investment Partnership (HOME) Program and General Fund support of outside agencies.
2. Provide staff with direction regarding any additional material to be provided or questions to be addressed in order for Council to make funding decisions on April 22, 2003.

FISCAL IMPACT

The CDBG and HOME Programs are Federal funds which will be allocated to eligible community service agencies and capital projects. There is no fiscal impact to the City's General Fund from allocating this money.

Historically, the City has also allocated General Fund support to a number of outside agencies. The fiscal impact of this action will depend on the level of funding the Council wishes to appropriate. Currently, there are eight agencies receiving ongoing operating support in this category from the General Fund totaling \$165,595.

BACKGROUND AND ANALYSIS

The purpose of the first public hearing on March 18, 2003 is for Council to: (1) hear a brief three-minute presentation from each of the agencies requesting funding; and (2) provide staff with direction regarding any additional material to be provided or questions to be addressed prior to the second public hearing on April 22, 2003. No funding decisions or other action will be taken at the March 18, 2003 public hearing. The purpose of the second public hearing on April 22, 2003 will be for Council to make funding decisions and adopt the City's Action Plan (application for funding to the U.S. Department of Housing and Urban Development (HUD)).

At the Council meeting on November 19, 2002, the Council adopted a number of Council Procedures Committee recommendations regarding the CDBG budgeting process (Attachment 1 provides minutes of this meeting). These adopted changes are being

incorporated in this funding cycle. In particular, the funding process has been changed to allow for the agencies to make their presentations to Council at the first public hearing instead of the second hearing. Staff also sent a letter to all the agencies informing them of the limited funding that would be available and the competition for the funding, as directed by the Council.

Application Process

Funding applications became available December 17, 2002 and were due January 24, 2003. Applications were mailed to a list of about 90 nonprofit organizations and other groups who have expressed an interest in the CDBG/HOME Programs or in General Fund support. Twenty-five outside agency programs have been submitted for funding.

Available CDBG/HOME Funds

For Fiscal Year 2003-04, the City will have an available budget of \$1,336,980, consisting of \$857,000 in CDBG funds and \$479,980 in HOME funds. The City's CDBG entitlement of \$857,000 is 1 percent lower than the Fiscal Year 2002 entitlement grant of \$865,000. The HOME entitlement of \$479,980 is 1 percent more than the Fiscal Year 2002 entitlement of \$474,000.

CDBG funds may be used for housing, public services or community development projects. HOME funds may only be used for certain affordable housing activities. In addition, under HOME, 15 percent of the HOME funds must be used to fund a Community Housing Development Organization (CHDO), a type of nonprofit organization that meets certain criteria, including that one-third of the Board of Directors is made up of low-income residents. Charities Housing Development Corporation, the nonprofit developer of the efficiency studios project, is an eligible CHDO organization.

Federal regulations also specify the amount of funding that may be used for program administration and management. For Fiscal Year 2003-04, the City will have \$171,400 in CDBG funds and \$47,995 in HOME funds available for program administration and management, which is consistent with the amount currently allocated for administration of the CDBG and HOME Programs.

Fair Housing Services

Federal regulations specify that the City must "affirmatively further fair housing" in order to be eligible to receive CDBG and HOME funds. The City must report to HUD each year on the activities that have been undertaken to comply with this requirement. Funding of a fair housing agency to provide fair housing services (i.e., investigate fair housing complaints,

provide information and referral services and carry out outreach activities to educate the community about fair housing rights and responsibilities) is therefore necessary in order for the City to comply with the requirement to affirmatively further fair housing.

The City has historically funded Midpeninsula Citizens for Fair Housing to provide the necessary fair housing services. This year, in an effort to ensure that the City's limited CDBG funds for fair housing services are being used in the most efficient and effective manner possible, a Request for Proposals (RFP) process has been used to solicit proposals from fair housing service providers. The RFP became available on February 19, 2003 and proposals are due on March 17, 2003. A staff recommendation for a fair housing provider will be available for the April 22, 2003 Council meeting.

Since all CDBG-funded jurisdictions must comply with the same requirement to provide fair housing services, staff at the cities of Mountain View, Palo Alto and Sunnyvale have carried out a joint RFP process in hopes of finding a single fair housing service provider for services in North Santa Clara County. It is hoped that by contracting with a single provider, this will allow for some cost savings by not duplicating services or overhead costs. Providing fair housing services on a regional basis is also consistent with the recommendations of a recently completed study of fair housing services sponsored by the County of Santa Clara and jointly funded by all the CDBG-funded County jurisdictions. The RFP, however, does not commit Council to select the same fair housing provider as the other cities or to participate in the regional provision of fair housing services.

Historically, fair housing has been funded with both CDBG and General Funds and is currently funded for a total of \$20,500. This funding for fair housing is shown under the CDBG public services and also the General Fund requests. It is anticipated that the \$20,500 will be needed for funding a fair housing service provider for Fiscal Year 2003. Funding for fair housing services has been significantly reduced in recent years, and it is not likely that the necessary services can be provided for much less than the current budget of \$20,500.

Funding Requests

Attached to this report is a staff summary regarding each of the 29 funding requests (reference the table of contents). The agency funding applications have been forwarded to Council in a binder along with this staff report and are also available for public review in the Community Development Department and the City Clerk's Office.

The funding requests have been grouped into three categories: (1) CDBG-funded public services; (2) General Fund public services; and (3) CDBG/HOME capital projects. Historically, 12 assessment factors have been used to review the outside agency funding requests (Attachment 2). An Assessment Factor Table is provided for each of the three

categories of funding requests (CDBG public services, General Fund public services and capital projects). The Assessment Factor Table reviews each funding request against the 12 assessment factors. Per Council direction in recent years, staff recommendations are only provided for the capital projects, not the CDBG or General Fund public service programs. Below is a brief summary regarding the three categories of funding requests.

1. CDBG Public Services (Reference Table 1)

Currently, there are 13 public service programs funded for a total of \$143,835. For Fiscal Year 2003-04, there are 17 programs requesting \$187,538 in funding (30 percent increase).

Federal regulations limit the amount of funding which may be allocated for public services, and for Fiscal Year 2003, a maximum of \$128,550 in CDBG funds may be allocated for these programs. This represents an 11 percent decrease over the \$143,835 current budget for public services, necessitating a \$15,285 cut in funding. The requests this year for CDBG public service funding are \$58,988 greater than the available funding.

The amount of CDBG funding that can be allocated to public services is limited to 15 percent of the entitlement grant plus the program income received in the preceding year. In Fiscal Year 2003-04, there will be less public service funds available due to the City's reduced grant amount (1 percent less than last year) and also the fact that there has been negligible program income received from loan paybacks. Since CDBG loans are typically due upon the sale of a property, there can be great variation from year to year in the income received from loan repayments. Only CDBG funds can be used for public services; HOME funds cannot be used to fund public service programs.

At the November 19, 2002 Council meeting, it was requested that 5 percent of the CDBG and General Fund public service budgets be earmarked for funding new agencies that have not been funded in the last three years. Council did note, however, that they would maintain discretion to award all the available funding to existing programs. For Fiscal Year 2003-04, 5 percent of the public service budget amounts to \$6,427. This would leave \$122,123 for existing programs. There are four agencies requesting funding that have not been funded in the past three years: (1) Asian American Recovery Services, Inc.; (2) Community Association for Rehabilitation; (3) InnVision/Urban Ministry of Palo Alto; and (4) St. Vincent de Paul Society. The St. Vincent de Paul Society was last funded under the capital project category in Fiscal Year 1999-2000. The \$10,000 awarded for tenant improvement work has not yet been used. Although Avenidas has also submitted a new funding request for transporting seniors to grocery stores, the agency is currently funded for their Senior Day Health Program and, therefore, does not appear to meet the criteria of not having been funded in the past three years.

Per Council direction at the November 19, 2002 meeting, there will no longer be a \$5,000 minimum grant amount for funding public service programs. However, in allocating funding, Council may wish to consider the fact that there are numerous procedural, accounting and record keeping requirements agencies and the City must comply with in order to receive CDBG funding. Therefore, it is important that the costs of complying with all the program requirements do not exceed the amount of funding being received.

2. General Fund Requests (Reference Table 2)

Historically, requests for General Fund support have been handled simultaneously with the CDBG and HOME funding requests. Currently, nine programs are funded for ongoing operating support for a total of \$170,595. Per Council direction at the November 19, 2002 meeting, the Mountain View Pop Warner Football and Cheer Club funding request will be handled during the City budget process for funding youth activities and has not been included in this process. With the exception of the Mountain View Pop Warner program, \$165,595 is currently being provided to outside agencies.

Per Council direction at the November 19, 2002 meeting, 5 percent of the current General Fund budget amounts to \$8,280 and is earmarked for new agencies not funded in the past three years. This would leave \$157,315 for funding existing programs. The existing programs (not including Pop Warner or Outreach and Escort which did not apply for funding) are requesting \$162,010 in funding. Two new agencies are applying for funding in Fiscal Year 2003, Junior Achievement of Silicon Valley & Monterey Bay, Inc. and Parents Helping Parents, Inc. The funding requests of these two new agencies total \$12,700.

Outreach and Escort (currently funded for \$15,836) is planning to terminate their fare box subsidy program for low-income seniors and, therefore, has not applied for funding for Fiscal Year 2003. This agency provides door-to-door transportation for frail elderly and disabled persons. The City has historically funded this agency to subsidize the \$5.60 round trip fare box fee for those persons that cannot afford to pay it. Outreach and Escort, under contract with the Valley Transportation Authority (VTA), provides paratransit services as required under the Americans with Disabilities Act. As a result of VTA budget cuts, Outreach and Escort will no longer have sufficient staff to administer the fare box subsidy program and, therefore, effective July 1, 2003, this program will be terminated.

The termination of the fare box subsidy program may have significant impacts on those individuals that rely on the subsidy for their transportation needs. In Fiscal

Year 2001-02, for example, the program provided 4,901 subsidized rides for 154 Mountain View residents. The City of Santa Clara has been working with the VTA and Outreach and Escort to determine if there might be some options to allow for the fare box subsidy program to continue operating in the future. No progress has been made on this issue to date. Staff will continue to monitor the status of this program and provide Council with the available information at the April 22, 2003 meeting, in the event that there is a possibility to continue this service and Council wishes to consider funding for this activity.

3. CDBG/HOME Capital Projects (Reference Table 3)

CDBG and HOME funds will be available in the amount of \$989,035 for funding capital projects. At the April 30, 2002 CDBG budget hearing, Council instituted a \$25,000 minimum grant amount for capital project funding. At the November 19, 2002 meeting, Council confirmed that this minimum grant amount for capital projects would be maintained. This minimum grant amount was instituted in light of the significant compliance and oversight requirements which both the agencies and the City must meet in carrying out capital projects.

Per Council direction in recent years, staff recommendations are provided for the capital projects only. The recommendations are shown on the attached Table 3.

For Fiscal Year 2003-04, there will be more CDBG funds available than there are available projects to fund. It is therefore recommended that the remaining balance of the CDBG funds (\$460,779) be allocated to a housing project to be determined in the future. Although there are strict Federal requirements in terms of the amount of unspent CDBG funds that the City can maintain, the City has spent a significant amount of its CDBG funds in recent years on the efficiency studios project and, therefore, has some flexibility at this time for holding onto unspent CDBG funds. It will, however, be critical that this CDBG funding is spent next fiscal year.

Efficiency Studios Project

In July 2002, the efficiency studios project was submitted to the State Tax Credit Allocation Committee for receipt of a tax credit allocation. Although the project scored the maximum points possible for its category, it was not successful in receiving an allocation. On March 18, 2003, Charities Housing Development Corporation will be submitting an application to the State Multi-Family Housing Program (MHP) for the additional funding needed by the project to start construction. Decisions regarding MHP funding are expected to be made in June. If successful in securing MHP funding, Charities Housing Development Corporation would then apply for the 4 percent tax credits in July. Their chances of receiving 4 percent tax

credits are very good if they have received MHP funding. If they do not receive MHP funding, they will reapply for the more competitive 9 percent tax credits in July.

- HOME funds in the amount of \$298,256 to be allocated to meet funding commitment of \$5.34 million.

At the April 30, 2002 meeting, Council allocated the full \$5.34 million in funding needed by the efficiency studios project. Allocating the full funding was necessary at that time in order for the project to be eligible to submit an application to the State for a tax credit allocation (needed for the balance of the project funding). Since all the necessary funding was not available at the time, Council allocated future CDBG program income to be received from loan paybacks as well as Fiscal Year 2003-04 CDBG and HOME funds to be received. There is currently a balance of \$298,256 in funding needed for the efficiency studios project in order to meet the \$5.34 million funding commitment made by the Council at the April 30, 2002 meeting. It is recommended that this funding be provided from the HOME Program so that this money can be used for construction costs (CDBG funds cannot be used for new housing construction).

- HOME funds in the amount of \$133,729 to be substituted for CDBG funding already awarded.

In addition, due to limitations regarding the use of CDBG funds for new housing construction, the efficiency studios project currently has a balance of \$178,145 in CDBG funds that the project probably will not be able to use. All the remaining project costs are related to the construction of the units, for which CDBG funds cannot be used. It is therefore recommended that all remaining available Fiscal Year 2003-04 HOME funds, amounting to \$133,729, be substituted for CDBG funds currently allocated to the efficiency studios project that have not yet been spent. This will leave the project with a balance of \$44,416 in unspent CDBG funds that may need to be substituted with HOME funds in Fiscal Year 2004-05.

- \$100,000 of CDBG funds for prevailing wage oversight and monitoring.

The efficiency studios project will need to comply with both Federal and State prevailing wage requirements due to the use of Federal and State funding. The City is responsible for ensuring that the project is in compliance with all prevailing wage laws. Monitoring and oversight of prevailing wage compliance for a large project such as the efficiency studios is a significant workload item and requires expertise in the area of prevailing wage laws. It is recommended that \$100,000 of CDBG funds be provided for an experienced prevailing wage consultant to carry out prevailing wage monitoring and oversight work during construction of the project. Staff would solicit proposals from a

number of companies that do this kind of work in order to find the most cost-effective proposal.

Transitional House

A Request for Proposals process has been carried out to find a new owner and operator of the transitional house at 813 Alice Avenue. Although this process is currently under way and staff does not yet have specific figures regarding how much funding may be needed to carry out the transfer of ownership, it is recommended at this time that \$100,000 of CDBG funds be reserved for this project. This allocation would fund necessary rehabilitation work (estimated at about \$45,000), pay down the existing mortgage on the house (about \$44,000) in order to make the transitional house more financially sound for the new owner/operator of the house and cover miscellaneous costs related to the transfer of ownership (\$11,000 estimate).

Economic and Social Opportunities

Since 1989, the City has been funding a home repair/home access program operated by Economic and Social Opportunities. There is considerable demand from low-income seniors, disabled persons and other low-income households for services provided by this program. This is the only program available to assist low-income Mountain View residents to maintain their homes in good condition and prevent the need for more costly repair work in the future. It is recommended that \$30,000 of CDBG funds be provided in order for this program to continue operating.

Human Relations Commission Role

The Human Relations Commission's Fiscal Year 2002-03 work plan calls for the Commission to prepare a report to the City Council and Community Development Department regarding community priorities and needs to be used by the Council and staff in the Fiscal Year 2003-04 CDBG/HOME funding allocation process. Attached to this staff report (Attachment 6) is the Commission's report. The basis for the Commission's suggestions is the information and community input the Commission routinely obtains during its monthly meetings, as well as preliminary results from the community human relations needs assessment, which the Commission undertook during the first half of Fiscal Year 2002-03. As more fully described in the Commission's report, the Commission identified three areas of community needs that might be addressed by some of the agencies requesting CDBG/HOME funding:

- Language Barriers

There is a need in the community for more opportunities to learn English as a second language, for service providers to promote the use of other languages in the delivery of services and for more informational material to be available in a wider variety of languages.

- Youth Services

Additional youth services are needed, particularly programs that help youth feel safe, address the issue of gangs, provide for enhanced educational opportunities and/or can help alleviate the effects of budget cuts.

- Promote Multiculturalism

There is a need for more programs that are multicultural and bring diverse segments of the community together.

The Social Advocates for Youth program is focused at helping "at risk" youth and helping youth to feel safe, which may address one of the areas of need identified by the Commission. Asian American Recovery Services also provides youth services, although this agency's focus is more in the area of substance abuse prevention and treatment. None of the programs submitted for funding this year address the issue of language barriers, although all the programs provide informational material in a variety of languages. Also, there are no programs this year that address the issue of multiculturalism.

AGENDA: March 18, 2003

PAGE: 10

Action Plan

The City's application to HUD (Action Plan) for Fiscal Year 2003-04 funds is due May 15, 2003. A draft of this application is attached (Attachment 7). This application will be modified to reflect the April 22, 2003 funding decisions of the Council before it is submitted to HUD. Federal regulations, however, require that a draft Action Plan be prepared and made available to the public for a 30-day review period before it is adopted by the Council. The public review period for the draft Action Plan starts on March 18, 2003 and will conclude at the April 22, 2003 Council meeting.

SUMMARY

Council is not being asked to make any funding decisions at the March 18, 2003 meeting. Funding decisions will be made at the April 22, 2003 meeting. The purpose of the March 18, 2003 meeting is for Council to hear from the agencies requesting funding and to provide staff with direction regarding any additional material that is needed or questions to be addressed in preparation for the April 22, 2003 meeting.

For Fiscal Year 2003-04, the City will have a CDBG and HOME budget of \$1,336,980. There will be \$128,550 in CDBG funds for public services, representing an 11 percent reduction from the \$143,835 currently allocated. A total of \$187,538 in CDBG public service funds is being requested. There will be \$989,035 available for capital projects. In addition, \$165,595 in ongoing General Fund operating support is currently being provided to outside agencies and \$174,710 is being requested.

PUBLIC NOTICING

Agenda posting, legal notice in newspaper and mailing to list of interested persons/agencies.

Prepared by:

Adriana Garefalos
Senior Planner

Approved by:

Linda Lauzze
Administrative and Neighborhood
Services Manager

Elaine Costello

AGENDA: March 18, 2003

PAGE: 11

Community Development Director

Kevin C. Duggan
City Manager

AG/9/CAM
850-03-18-03M-E^

- Attachments:
1. November 19, 2002 Council Meeting Minutes
 2. Assessment Factors
 3. CDBG Public Service Programs
 4. General Fund Requests
 5. CDBG/HOME Capital Projects
 6. Human Relations Commission Memo
 7. Action Plan